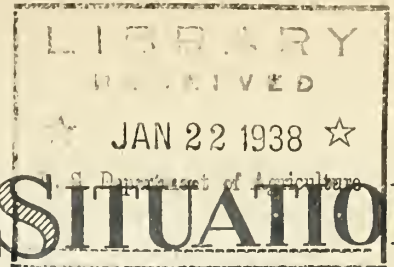


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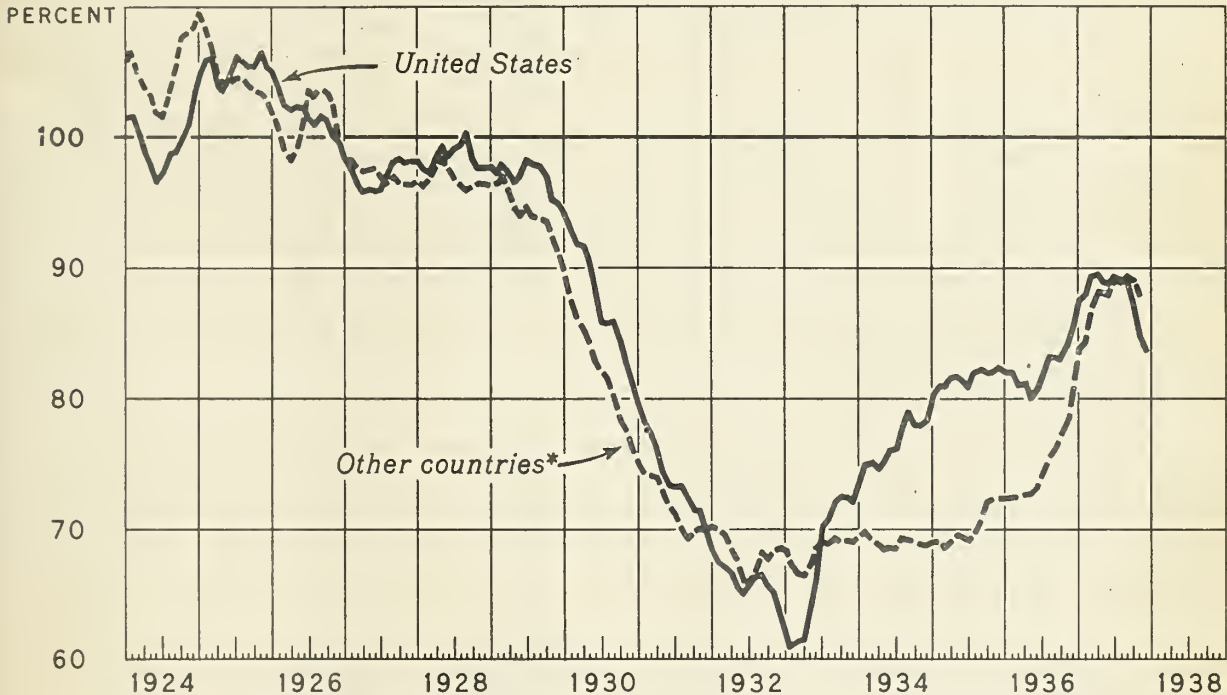


THE DEMAND AND PRICE SITUATION

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON, D.C. JANUARY 1938

WHOLESALE PRICES OF ALL COMMODITIES,
UNITED STATES AND OTHER COUNTRIES, 1924 TO DATE
INDEX NUMBERS (1924-29=100)



*ENGLAND, JAPAN, GERMANY, FRANCE, CANADA, ITALY, BELGIUM, POLAND, AND THE NETHERLANDS
THESE COUNTRIES TAKE ABOUT 80 PERCENT OF U. S. AGRICULTURAL EXPORTS

U. S. DEPARTMENT OF AGRICULTURE NEG. 21364 BUREAU OF AGRICULTURAL ECONOMICS

THE NEW SERIES OF INDEX NUMBERS OF PRICES IN NINE FOREIGN COUNTRIES PRESENTED IN THIS CHART SUPERSEDES THE EARLIER SERIES INCLUDING SEVEN COUNTRIES WHICH HAS BEEN USED IN SIMILAR CHARTS OF THE BUREAU OF AGRICULTURAL ECONOMICS IN RECENT YEARS. (DATA ARE IN TABLE ON LAST PAGE.)

WHOLESALE PRICES IN THE UNITED STATES AND IN THE CURRENCIES OF THE NINE FOREIGN COUNTRIES FOLLOWED MUCH THE SAME TREND FROM 1924 TO LATE 1931. CURRENCY DEVALUATIONS IN 1931-32 CHECKED THE DECLINE IN FOREIGN PRICES WHEREAS PRICES IN THE UNITED STATES DECLINED TO THE POST-WAR LOW IN EARLY 1933 AND THEN ROSE RAPIDLY FOLLOWING DEVALUATION OF THE DOLLAR AND IMPROVEMENT IN BUSINESS CONDITIONS. FOREIGN PRICES ROSE FASTER AND FURTHER IN 1936 AND EARLY 1937 AND DECLINED LESS IN THE LAST QUARTER OF 1937 THAN DID PRICES IN THE UNITED STATES.

DOMESTIC DEMAND

Despite some prospective recovery in the output of industrial products during the next few months, the lag between changes in industrial activity and consumer buying power probably will prevent material improvement in the domestic demand for farm products generally before spring.

The last month for which complete business data are available is November. From August to November the seasonally adjusted Federal Reserve Index of Industrial Production dropped from 117 to 90, or 23 percent. Of this decline in total industrial production, approximately 53 percent was due to the drop in output of iron and steel, 23 percent to the decrease in textiles, 12 percent to the slowing up of automobile production, 2 percent to reduced output of minerals, and 10 percent to the decline in the combined production of all other products included in the index.

From this and other evidence it is apparent that the severity of the business recession through November, at least, was in large measure the result of conditions in a relatively few lines of industrial production which were particularly affected by the forward buying and inventory developments which have been discussed in the monthly issues of this report since last spring. Although the sharp contraction in these industries has affected to some extent practically all other lines, retail trade and general business activity have held up relatively well, and the recession has been less widespread than current comment might indicate. From August through November factory employment decreased 7 percent, and incomes of industrial workers nearly 13 percent. Some other indices of business conditions have declined much less than industrial production.

In December there was some further decline in industrial activity, the Federal Reserve seasonally adjusted index for that month being tentatively estimated at 83. Steel operations dropped to below 20 percent of capacity, or about the average level reached in 1932, and a third below November production. Further contraction also occurred in textile mill operations. By December the uncertain business outlook had greatly reduced sales of automobiles, and with dealers generally carrying large stocks of new and used cars, production in automobile plants was curtailed much more than during the earlier months of the recession. Unemployment also increased, relative to the decline in output of industrial products, more than during the early part of the recession. It has been estimated that about 1-1/2 million workers lost their jobs during November and December. But again the movement of goods into final consumption, and general business activity, seem to be much less affected than industrial output. In fact, some estimates indicate that retail trade in the country as a whole during the first week in January was above that for the corresponding week of 1937, stimulated by special sales and numerous price reductions.

There is evidence that the unfavorable inventory situation which has been responsible for a considerable part of the decrease in industrial production in recent months is being gradually corrected in some lines of industry. In steel, where the biggest drop has occurred, output has been as low as in the depths of the last depression when actual consumption of

steel for building, automobile production, and miscellaneous uses was much lower. In the first week of January, steel mill operations advanced to about 25 percent of capacity, and unless the recession is extended rapidly to other lines of industry it is probable that stocks of steel now on hand soon will be consumed and new orders will contribute to some further increase in steel operations. Likewise, in the textile industries operations apparently have been curtailed considerably below consumption, and inventories in dealers' hands have been reduced. Wholesale trade in these lines has been almost stagnant for some time, but improved recently, and general wholesale buying early in January was reported to have been above the corresponding period of last year. These conditions point to some pick-up in the production of textiles, shoes, and other lines of consumers' goods during the next few months. The automobile industry is one of the few important lines in which the inventory situation recently has become worse; and, since the winter is not a good selling season for either new or used cars, it is probable that activity in the automobile plants will continue to be severely curtailed until spring.

If recent levels of consumption were maintained, it could be confidently expected that surplus stocks soon would be used up and industrial production expand materially during the next few months. The danger is that the effects of the sharp recession in the relatively few lines of business activity which already has occurred will be extended rapidly to other lines. This would mean much additional unemployment, reduced consumer buying power, more uncertainty and hesitation on the part of buyers of durable goods such as automobiles and houses, reduced general purchasing power, and consequently a decrease in the level of consumption more than sufficient to offset the effects of the expected pickup in the industries which were affected earlier in the recession. In other words, it is a race between the prospective revival in one group of industries, on the one hand, against contagious declines in other lines of business activity which have lagged behind the general movement of industrial production since last summer. While the outcome of this race is not at all certain at this time, such indications as are available point to at least some net improvement in industrial production during the next few months, although January may show some decrease below December.

Notwithstanding this prospective improvement in industrial activity, many business firms which have attempted to weather the recession with a minimum of lay-offs may find it necessary to reduce their working forces in line with the altered business prospects. Service lines of activity, which represent an important part of all business, may be further curtailed as realization of the extent of the recession and the general uncertainty spreads to larger elements of the population. These developments may lead to additional unemployment, and reductions in total payrolls. Receipts of funds by consumers from many general sources, such as dividends, probably will be curtailed during the first few months of the year. Other conditions contributing to the general lag of consumer buying power behind industrial output may assert themselves. Thus, little or no improvement in demand for farm products generally is likely to occur before spring even if industrial activity experiences a noticeable improvement. On the other hand, no very large additional decline in the next few months seems probable.

The volume of exports of American farm products has increased sharply in recent months. The seasonally adjusted index for November was 83 percent of pre-war - the highest in 2 years - compared with the July low point of 37 percent. Total exports for the first 5 months of the current marketing season (from July through November) also were increased. All of the grains have been exported in much larger volume than last season because of the large harvests in this country and increased demand in many countries abroad, due to poor crops. Exports of United States farm products are expected to continue in relatively large volume for the rest of the fiscal year.

The value of exports of United States farm products for the first 11 months of 1937 was 9 percent greater than for the corresponding period in 1936. It is interesting to note, however, that despite this increase the value of our farm products accounted for less than one-fourth of the total export value in the first 11 months of 1937, whereas in the corresponding period a year ago they represented nearly 30 percent. The continued strong export demand for such nonagricultural products as metals, motor vehicles, petroleum products, and aircraft was largely responsible for the decline in relative importance of farm products.

Exports in general have increased more than imports in recent months, due partly to the relatively favorable industrial conditions in the major foreign countries. Other factors encouraging the upward trend in exports are the special demands of rearmament programs and the leveling of tariff barriers through the conclusion of additional reciprocal trade agreements. The 16 reciprocal trade agreements already in force between the United States and other countries have yielded encouraging results, and negotiations are now under way for similar agreements with Czechoslovakia and Great Britain. These agreements should be particularly beneficial to producers of wheat, lard, bacon, canned fruits and fish, and other farm products. Preliminary work also has been done toward a broad revision of the trade agreement between Canada and the United States, to replace the present agreement which expires late in 1938. Australia has recently modified licensing and other import restrictions on a wide variety of American goods.

World industrial production excluding the United States rose in October to a new high level of 148 percent of the 1923-25 average. Much of this rise, however, represented advances in the four countries - Canada, France, Germany, and Italy. Special conditions within each of these countries may prevent much further expansion. Canada's proximity to the United States, for example, creates uncertainty as to her ability to long withstand reaction from the recession in this country. Industrial production in Germany has already reached a new high level, and production in France has increased 10 percent since August.

Industrial conditions in some other foreign countries are not so favorable. In England, business activity has declined slightly since September, with declines in employment, domestic consumption of coal, merchandise carried by railways, exports of British manufactures, and building activity. Industrial production in the Netherlands declined sharply (26 percent) from July to October, the latest month for which information is available.

According to estimates of the League of Nations, 60 percent of the total value of international trade consists of raw materials, agricultural products, and semi-manufactured goods. The sharp drop in prices of these commodities in recent months will probably affect adversely the export trade of industrial countries by lessening the purchasing power in countries exporting these commodities. Large back-logs of orders resulting from armament activity, however, may prevent much reduction in industrial output as a result of these developments.

WHOLESALE PRICES

The general level of wholesale prices in 1937 was 86 percent of the 1926 average, an increase of 7 percent over the previous year and 8 percent greater than in 1935. The 1938 average is expected to be lower than in 1937, because of lower prices of raw materials and farm products.

Following a sharp rise from October 1936 to the recovery high point in April 1937, wholesale prices were fairly steady until July, and then declined through the remainder of the year. The price recession has been especially sharp since September. Prices in early January at 81 percent of the 1926 average were back to the level of October 1936.

Prices of farm products have declined 24 percent from the 1937 high point in early April, compared with a 15-percent drop in food prices and a 3-percent decline in other commodity prices combined. The largest price declines in the combined group "other than farm products and foods" occurred in textiles (12 percent) and chemicals (9 percent), with slight advances only in fuels and house furnishings. Prices of both farm products and foods declined in the first full week of January.

The ratio of wholesale prices of farm products to wholesale prices of non-agricultural products for the week ended January 8 was 82 percent of the pre-war level, the same as in early December, compared with 101 for the corresponding week a year ago.

The trend of prices in the major foreign countries has followed the general direction of prices in the United States. The combined index of wholesale prices in the currencies of nine important foreign commercial countries (see cover page) rose more sharply than United States prices in 1936 and early 1937, and declined less in recent months. Prices in only two major countries - Japan and Italy - have moved upward since October. In Japan prices of foodstuffs, metal products, building materials, and industrial chemicals rose sharply, whereas prices of textiles declined heavily, reflecting drastic curtailment in foreign demand.

PRICES RECEIVED AND PAID BY FARMERS

The general level of prices received by farmers in mid-December was 104 percent of pre-war, compared with 107 in November and 126 in December 1936. Prices of only three groups of farm products -- dairy products, grains, and miscellaneous -- increased slightly from November to December. The preliminary estimate of prices paid by farmers for commodities, at 128 percent of pre-war

in December, is the same as for the previous month and for December 1936. The ratio of prices received to prices paid by farmers declined to 81 percent in December -- the lowest since July 1935 -- compared with 84 in November and 98 in December 1936.

Preliminary indications given by the trend of market prices since mid-December, and the outlook for the several commodities included in this report, point to a continued slight decline in the level of prices received by farmers in January and February.

FARM INCOME

Cash income from sales of farm products made a more-than-seasonal decline from November to December, as prices received by farmers declined further in December and marketings of livestock were considerably below last year's volume. Cash farm income in December no doubt was less than in December 1936.

For the entire calendar year 1937, cash farm income, including Government payments to farmers, has been estimated at \$8,500,000,000, or 7 percent more than the \$7,920,000,000 in 1936.

With consumer incomes continuing relatively low during the early months of this year, it now seems probable that income from farm marketings may be less in each quarter of 1938 than in 1937. While larger crop marketings and Government payments will tend to support income in the first quarter of this year, the smaller marketings of meat animals and poultry products in prospect will be an offsetting influence and may keep income somewhat below the level of the first quarter of 1937. A weaker consumer demand for meats may prevent the usual increase in prices associated with smaller marketings.

Supporting elements in the farm income situation for the second half of 1938 are to be found in the probable larger hog slaughter than in the second half of last year and in the higher average weights of all meat animals slaughtered. Government payments, including price adjustment payments on 1937 cotton, may also be larger than in the latter half of last year. While these elements may cushion the decline in farm income from the 1937 level, the position of farm income during the latter half of the year depends largely upon the condition of consumer incomes and the consequent general demand situation.

WHEAT

Wheat prices during the next few weeks will depend largely on European buying. If European demand remains about as now indicated, the newly harvested Southern Hemisphere crop may be absorbed without becoming much of a price-depressing factor. World supplies outside of Soviet Russia and China are only about 25 million bushels larger than the very small supplies of a year ago, and the carry-over and crop in Argentina are small. Following the heavy seasonal movement of Argentine wheat, which usually reaches a high point in February, the demand for hard wheat from the United States is expected to increase as the result of small supplies of wheat remaining in Argentina and also in Canada. Both of these countries usually compete with the United States in the marketing of hard wheats which are used by importers to strengthen soft wheat flour.

Domestic wheat prices fluctuated generally within a narrow range during the last half of December. Strength at Winnipeg as a result of small remaining exportable supplies, and at Buenos Aires, where frost damage has greatly reduced the quantity and quality for export, about offset the influence of the weak market at Liverpool and reduced interest in domestic markets. During the first week in January, with a good export trade and an active milling inquiry, domestic prices rose sharply, supported by sharp advances in foreign markets including Liverpool. Foreign demand improved, and at the same time Australian shippers sold less freely while offerings of Russian and Argentine grain were not large. On about January 8 the price of No.2 Hard Winter wheat at Kansas City was 6 cents higher, and the closing price of May futures at Chicago was 8 cents higher than on December 31.

Based on the past relationship between the December 1 condition and yield per seeded acre, with some allowance for the probable effect of weather conditions during the past summer and fall, the indicated production of winter wheat in 1938 is about 630 million bushels, compared with 685 million bushels of winter wheat estimated to have been harvested last year. On the other hand, fall moisture supplies are better in the spring wheat belt and in Canada. In Europe, where early indications point to some increase in acreage, the condition is considered to be generally good.

CORN AND OTHER FEED GRAINS

Cash prices of all feed grains strengthened during December, and in early January the weekly average price of No.3 Yellow corn at Chicago advanced above 60 cents for the first time since late October. The price of No. 3 barley at Minneapolis advanced about 6 cents a bushel from the week ended December 11 to the week ended January 8, while the price of No. 3 White oats at Chicago advanced 1 cent per bushel in this same period. A comparatively stable level of feed grain prices is in prospect for the next few months. The unusually large supply of corn per grain consuming animal unit will tend to limit any advance in corn prices which might occur, while the corn loan program will tend to limit any decline. The prices of oats is expected to remain fairly stable, while barley prices may show some further improvement if the malting and export demand continue favorable.

The total stocks of corn and oats on January 1 indicate a below average disappearance of corn and an about average disappearance of oats from October 1 to January 1. Stocks of corn on January 1 were 1,704,000,000 bushels, or 215,000,000 bushels larger than the 1928-32 average, indicating a disappearance of 1,007,000,000 bushels during the period from October through December. This compares with a disappearance of 860,000,000 bushels during this period last year, and 1,229,000,000 bushels, the average disappearance for the same period during 1928-32. Total stocks of oats on January 1 were about 3 percent below the 1928-32 average.

Total sales of corn abroad since October 1 have been much larger than in any of the past few years, and the present indications are that exports for the present marketing year will be larger than in any of the past 7 years and may exceed those of 1929-30, which totaled over 40,000,000 bushels. The volume of exports is not yet large, totaling only 4,736,000 bushels from October 1 to January 1. During the July-November period, barley exports totaled 9,285,000 bushels and oat exports 5,688,000 bushels, which, in each case, were the largest for this period since 1929-30.

RICE

As a result of unusually large rice crops, both in California and the Southern States, rice prices have been lower during the past 4 months than in the same period last year and not much above the low prices received by producers 2 years ago. The price of southern rice improved considerably from September to November, but much of this gain has since been lost, and there has been little net increase in prices from the September low. In California prices received by producers declined steadily from August to December, and the December 15 price was slightly below the price received on that date last year. It now appears probable that rice prices will remain generally low during the next few months, although there may be some improvement if exports and shipments continue large.

The 1937-38 supply of southern rice (including the December 1 estimate of production and the August 1 carryover) totaled about 13,300,000 barrels, which was the largest supply on record and more than 2,600,000 barrels larger than that of last year. In California the supply was also the largest on record, and 18 percent above the large supplies of a year ago. Total stocks of rice in southern mills on December 1 were about the same as a year ago, while total stocks outside of mills were estimated to be nearly 1,000,000 barrels larger than on that date last year. Stocks of rice in mills and country warehouses in California on January 1 were somewhat smaller than last year because of unfavorable harvesting conditions which have caused delay in marketing the crop and considerable loss of rough rice.

Exports and shipments of rice have been heavy since the harvesting of the 1937 crop. Shipments to Puerto Rico, Hawaii, and Alaska exceeded 103,000,000 pounds during the August-November period, compared with less than 90,000,000 pounds in the same period last year, and were the largest in recent years. The total exports for this period were 108,000,000 pounds, and were much larger than for any of the past 15 years.

COTTON

Domestic cotton prices showed a slightly upward trend during December and early January with the 10-market average price of Middling 7/8 inch for the week ended January 8 of 8.47 cents, the highest since mid-September. Current prices, however, are about 4 to 4½ cents lower than in January last year and the lowest with the exception of the last 4 months since May 1933. Factors which appear to have been of some importance in strengthening prices during recent weeks include the reduction in estimates of cotton production in foreign countries, the large movement of raw cotton out of trade channels into Government loan stocks, and a somewhat more favorable trend in commodity and security prices.

Recent estimates of 1937-38 foreign production are 800,000 to 1,000,000 bales less than in early December with present estimates ranging a little above 19,000,000 bales. In addition, there has been some increase in the estimates of the probable non-commercial consumption of cotton in China. Despite the reduction in the indicated world supply of commercial cotton, however, current estimates of supply are still some 6,300,000 bales or 14 percent larger than the record supply of last season. The estimated 1937-38 supply of American cotton is 5,150,000 running bales or 27 percent larger than last season. Excluding Government financed cotton, the remaining supply of American cotton - frequently called "free cotton" - is now 19 percent larger than a year earlier.

Domestic cotton consumption, adjusting for seasonal variation, declined materially during December, and apparently showed little improvement in early January. Trade reports indicate that sales of cotton cloth by domestic mills in December improved somewhat relative to previous months and in view of reduced production were much more favorable relative to output. In December and during the 5 months from August through December, domestic cotton consumption was 38 and 16 percent, respectively, less than a year earlier. Cotton mill activity in foreign countries appears to have been fairly well maintained during the last several weeks, although in several countries apparently showed a slowly declining tendency. Reports indicate that in a number of countries sales have been unfavorable relative to production for many weeks, while in several countries, particularly Germany, Italy, and Poland, sales of cotton goods are reported to be fully equal to the restricted output. During the 4 months from August through November the estimated world consumption of both American and foreign cotton was slightly less than a year earlier.

WOOL

Domestic wool prices may hold near present levels in the next few months in view of the sharp decline in prices of about 25 percent since August and an improvement in foreign markets in December. But since domestic wool prices are still relatively high as compared with prices of other textile raw materials, and supplies of raw wool and semi-manufactures in this country are fairly large, no marked advance in prices from present levels during the first quarter of 1938 appears probable. Domestic wool markets reported a slight increase in trading during December but prices were irregular.

Total supplies of apparel wool on a grease basis in the United States on January 1 were estimated to be more than 100 million pounds larger than a year earlier but they were not greatly different from the 10-year average.

Mill consumption of apparel wool on a scoured basis in the United States during November was 56 percent smaller than in November 1936 and was the smallest November consumption in any of the past 20 years of record. Consumption during the first 11 months of 1937 was only 5 percent smaller than that of the same months of 1936 because of the large consumption in the early months of the year.

If mill consumption of apparel wool in the first quarter of 1938 is below that of the same period for the past 2 years, as was true during the last quarter of 1937, stocks on April 1 will be considerably larger than a year earlier, but perhaps not much greater than the 10-year April 1 average. In view of the fairly large stocks of wool in the United States at the beginning of 1938 and the prospects for relatively small mill consumption during the next few months, imports in the first quarter of this year are likely to be much smaller than for the first 3 months of 1937.

The weakness in mill demand in several foreign countries during the second half of 1937 resulted in smaller imports into these countries and in accumulations of stocks of raw wool in Southern Hemisphere producing countries.

On December 1 apparent supplies for disposal during the rest of the current season were about 12 percent larger than those of a year earlier and 9 percent above the average for that date in the 5 years, 1931-35. Southern Hemisphere wool supplies for the 1937-38 season were estimated to be only 3 percent larger than for the preceding season. Indications are that stocks of raw wool remain relatively small in most foreign importing countries.

LAMBS

In view of the recent weakness in consumer demand for meats and the lower prices of wool, it is probable that the seasonal advance in lamb prices that usually occurs in the first 4 months of the year will not be nearly so great in 1938 as it was in 1937. Should further weakness in consumer demand develop, it is possible that no seasonal advance in lamb prices will occur during the remainder of the current fed-lamb marketing season (through April). The average price of lambs in this period will be considerably lower than in the same period a year ago.

Little change is expected in the total slaughter of sheep and lambs for the period from January through April compared with the same period in 1937. Marketings of fed lambs probably will be somewhat larger, but this increase may be about offset by smaller marketings of other lambs and sheep. On the basis of the number of lambs reported on feed January 1, it is expected that marketings of fed lambs will be larger this year than last in most States of the Corn Belt, Texas, and Colorado; but in most Western States, particularly in States west of the Continental Divide where the number of lambs fed last year was the largest in 14 years of record, marketings probably will be considerably smaller than a year ago.

In the first half of 1937 lamb prices averaged higher than for any similar period since 1929. In the third quarter of the year prices declined about seasonally. From early October to December, however, prices of lambs declined sharply, although they usually show little change in this period, and slaughter supplies were reduced. The number of sheep and lambs slaughtered under Federal inspection in the last quarter of 1937, totaling 4,256,000 head, was 7 percent smaller than in the third quarter and 12 percent smaller than in the last quarter of 1936. Prices of good and choice lambs at Chicago, averaging about \$3.25 per 100 pounds in the last week of December, were more than \$2 lower than in late September and more than \$1 lower than a year earlier. The recent sharp declines in lamb prices apparently have been due largely to decreased consumer demand for meats and lower prices of pelts and wool.

BEEF CATTLE

A large part of the downward adjustment in prices of the better grades of slaughter cattle, expected for the first half of 1938, apparently took place in November and December when prices of such cattle experienced one of the sharpest declines on record. Prices of slaughter cows and of the lower grades of steers probably will not change greatly during the first half of the present year, although they usually advance seasonally in this period. The number and proportion of the lower grades of slaughter cattle marketed in the first half of 1938 will be smaller than a year earlier, and smaller than in the last half of 1937, but the influence of reduced supplies on prices of such cattle may be offset by further weakness in consumer demand for meats.

In the last week of December prices of choice and prime grade slaughter steers at Chicago, averaging \$11.51 per 100 pounds, were more than \$6 lower than in late October and about 75 cents lower than a year earlier. Prices of common grade steers and good grade slaughter cows, after declining seasonally from mid-summer to October, declined about \$1 further from late October to the end of December, and at that time were not greatly different from the prices of such cattle a year earlier.

Factors chiefly responsible for the declines in cattle prices in November and December apparently were: (1) an increase in supplies of the better grades of cattle; (2) decreased consumer demand for meats, resulting principally from reduced industrial employment; (3) a seasonal increase in poultry consumption; (4) a greater-than-seasonal increase in pork consumption; and (5) a sharp decline in hide prices. The number of cattle slaughtered under Federal inspection in December, totaling 859,000 head, was slightly larger than in November, but was 10 percent smaller than in October and 13 percent smaller than in December a year earlier. Inspected calf slaughter in December, totaling 452,000 head, was slightly smaller than a month earlier and considerably smaller than a year earlier.

HOGS

Some upturn in hog prices appears probable within the next 2 or 3 months because of the expected seasonal reduction in hog marketings and the present relatively small storage stocks of pork and lard. From January through April last year, hog prices at Chicago fluctuated around the \$10 level, but from mid-May to mid-August there was a sharp advance in prices. Since the slaughter supply of hogs next summer is expected to be considerably larger and consumer demand weaker than a year earlier, hog prices in the coming summer probably will be materially lower than those of last summer.

Prices of heavy weight hogs continued to weaken during December following the marked decline in prices of all hogs from mid-August through November. The average price of hogs at Chicago for the month of December was \$7.90 compared with \$8.64 in November and \$9.96 in December 1936. The lower prices in December than a year earlier were due chiefly to the weaker storage and consumer demand for hog products. Inspected hog slaughter in December, totaling 3,958,000 head, was 20 percent greater than in November, but it was 15 percent smaller than in December 1936. The increase in storage stocks of pork and lard during November and December 1937 was much smaller than a year earlier and much less than average. Stocks of pork on January 1, 1938, were the second smallest for that date on record.

According to the December 1 Pig Crop Report, the 1937 fall pig crop was estimated to be about 1 percent smaller than that of 1936. An increase of about 5 percent in the number of sows to be farrowed in the spring of 1938 over the number that farrowed in the spring of 1937 was indicated on the basis of breeding intentions reported about December 1.

BUTTER

Butter prices declined sharply from early December to mid-January. The seasonal decline in prices from the seasonal peak in December until the summer of 1938 will probably be greater than average. During the last quarter of 1937 butter prices averaged decidedly higher than a year earlier. During the first half of 1938, however, it seems probable that prices will average lower than in the same period a year earlier, and probably about the same as in the first half of 1935 and 1936, but decidedly higher than in the years from 1931 to 1934.

Production of creamery butter in November was 8 percent less than a year earlier, but 18 percent above the 1925-29 November average. The 13-percent decline in production from October to November was less than the usual seasonal decline, and the index of production which is adjusted for seasonal variation rose from 112 in October to 118 in November (1925-29 = 100). During the first 6 months of 1937 this index averaged 109. It seems probable that during the first 6 months of 1938 butter production will average considerably higher than in 1937.

Trade output of creamery butter in November was 4 percent larger than in November 1936, while retail prices were 9 percent higher. These changes indicate an increase of about 14 percent in consumer expenditures for butter. With the decline in consumer incomes it is not probable that this increase in consumer expenditures for butter will be maintained during the first half of 1938.

Storage stocks of butter on January 1 of 43 million pounds were about 18 million pounds less than a year earlier, and compares with the 1933-37 January 1 average of 56 million pounds.

With the decline in prices since early December the margin between 92 score butter at New York and New Zealand butter in London declined from 15.8 cents on December 9 to 9.5 cents on January 6.

POULTRY AND EGGS

The large out-of-storage movement of shell eggs was the most important development in the poultry and egg situation during December. This increases the chances of more favorable egg prices to the producer this winter and next spring.

Other developments include (1) the continued high rate of egg production per hen, (2) the earlier-than-usual peak in cold storage stocks of frozen poultry, and (3) the record low numbers of laying birds on farms.

Egg prices usually decline from November or December until spring, but a decline as sharp as in early 1937 is unlikely because of the much smaller size of farm flocks. Also, normally rigorous winter weather will tend to curtail the high rate of egg production and cause marketings to be under those of 1937. Spring prices, therefore, may be somewhat above those of 1937 and, as the year progresses, the spread between 1933 and 1937 is expected to widen unless consumer incomes decline more sharply than is now anticipated.

The early peak of cold storage holdings of frozen poultry, together with fewer poultry on farms, will tend to keep chicken prices in the first half of 1938 above those of a year earlier. On the other hand, declining consumer incomes, at least in the fore part of this period, may keep prices from rising above the 1925-34 average during this period. Inasmuch as a prospective larger hatch in 1938 is expected to increase the poultry supply in the last half of the year, chicken prices then will probably be under those of the year before.

POTATOES

Potato prices in terminal markets have maintained a rather stable level in recent weeks, as is usually the case for this period of the year in seasons when the late crop is as large as the present one.

Production of 1937 crop potatoes in the 30 late States is estimated at 313,208,000 bushels, or about 36 million bushels more than were produced in these States in 1936 and 16 million bushels more than the 1928-32 average. In the eight eastern late States the 1937 crop was about 4 million bushels more than that of 1936; in the 10 central States it was nearly 19 million bushels larger, and in the 12 western States the 1937 crop was larger by 13 million bushels. The 1937 crop in the 10 central States, however, was about 10 million bushels smaller than the 1928-32 average, while in the other two groups of States it was larger than average.

With the late-potato crop about 13 percent larger than that of 1936, the indications are that the stocks available for market after January 1, 1938, are considerably larger than those marketed after January 1, 1937. The supply of potatoes, both old and new, available for market during the first half of 1938, therefore, probably will be at least one-fifth larger than the supply available during the corresponding period of 1937.

Carlot shipments of potatoes from the 1937 late crop for the week ending January 8 totaled about 4,510 cars, compared with 3,280 during the last week of December and 3,430 cars during the first week of 1937. The total rail and boat movement of late potatoes from the beginning of the season to January 8 amounted to 73,500 cars, or 2,300 cars less than the number moved to the corresponding time last season from the 1936 late crop. It is probable, however, that the volume of late potatoes which has moved by motor truck is much greater this season. Shipments of new potatoes this season have been about one-third less than those for the corresponding period last season, totaling only 35 cars in the first week of January, mostly from Florida and Texas.

TRUCK CROPS

Total reported acreage of truck crops for the early part of the 1938 marketing season is slightly smaller than that of last season but is 24 percent larger than the 1928-32 average figure. Combined acreage of 15 truck crops for marketing during the winter and early spring (as reported by January 1) is 335,000 acres, compared with 397,000 last season and a 5-year average of about 319,000 acres.

As market supplies of winter vegetables (both domestic and imported) gradually increased, wholesale prices of most of these products tended downward from the relatively high levels of mid-December. About the only truck crops which recently sold higher than in mid-December are eastern broccoli, old-crop cabbage, cauliflower, and onions. However, the prices of nearly all vegetables recently were somewhat above the level of the first week of December, reflecting damage caused by the severe freeze in the Southeast.

During the first week of January, carlot shipments of all truck crops except cauliflower, lettuce, onions, and green peas were much smaller than during the same period of 1937. The following crops were leading among the carlot shipments: Texas new cabbage and spinach, Arizona and Imperial Valley (Calif.) lettuce, New York old-crop cabbage, California carrots and celery, and Florida snap beans.

Production of all commercial truck crops for market in 1937 was about 3 percent greater than the previous high record of 1936. Truck crops for canning or manufacture were 13 percent larger than in 1936 and exceeded the previous high record of 1930. Including market-garden vegetables, the estimated cash income from all truck crops in 1937 totaled about \$350,000,000, or \$35,000,000 more than the cash income from the same crops in 1936.

CITRUS FRUITS

Oranges

Terminal market prices of all oranges experienced some further decline in December. It seems likely, however, that the season's low point in prices of Florida oranges has been passed, and the low point in California Navel prices may have been reached by now. Present prices of all oranges are somewhat below those of a year earlier. At New York City, prices of Florida oranges averaged \$2.41 per box during the first week of January this year, compared with \$3.10 for the same week of 1937. In the same week, California Navels averaged \$2.34 per box this year and \$2.93 a year earlier.

Shipments of oranges to date this season have been slightly heavier than those of a year ago, but the larger indicated production of winter and spring varieties this season points to a supply of oranges available for market during the remainder of the winter and spring about one-third larger than for the same period a year earlier. On January 1, 1938, the total crop of all winter and spring varieties of oranges was indicated at 42.5 million boxes, compared with 38.5 million boxes for 1936-37, and the 1931-35 average of 33.1 million boxes. The crop of California Valencias, which constitute the chief source of supply during the summer and early fall, was indicated at 25.2 million boxes, compared with 16.8 million boxes a year ago, and the 1931-35 average of 20.0 million boxes.

Grapefruit

Grapefruit prices at terminal markets continued to decline in early December, but showed some improvement during the latter part of the month. Prices of Florida grapefruit during the last month continued at a somewhat higher level than prices of last season, but prices of Texas grapefruit averaged about the same as those of a year ago. During the month of December, Florida grapefruit prices at New York averaged \$2.49 per box this year compared with \$2.10 last year. Texas grapefruit prices averaged \$2.06 per box during December 1937 and \$2.07 in December 1936.

If the utilization of grapefruit by processing plants is as large as now appears likely, the total supply of grapefruit available for market during the remainder of the season may be at least one-tenth smaller than for the same period a year earlier. Although the quantity of grapefruit going to processing plants will be comparatively large this year, it probably will be considerably less than the extremely large quantity so utilized last season. Total shipments to market of fresh grapefruit thus far this season have been slightly greater than for the same period last year, with shipments from Texas one-fourth larger than a year ago, and shipments from Florida about 13 percent smaller than those of a year earlier.

On January 1 the total grapefruit was indicated at 26.1 million boxes, compared with the record crop of 30.3 million boxes produced last year, and the 1931-35 average of 16.9 million boxes. The crop in Florida is indicated to be about 28 percent and the Texas crop about 4 percent less than the respective crops of last season.

Business statistics relative to the demand for farm products, specified periods

Year and month	1923	1924-25	1925-26	1926-27	1927-28	1928-29	1929-30	1930-31	1931-32	1932-33	1933-34	1934-35	1935-36	: Prices :				: Ratio of prices :
														: Retail :	: Wholesale :	: Farmers' :	: Paid by farmers :	
Period -	1923	1924-25	1925-26	1926-27	1927-28	1928-29	1929-30	1930-31	1931-32	1932-33	1933-34	1934-35	1935-36	1923	1924-25	1925-26	1926-27	1927-28
1929	100	107	119	117	105	106	136	139	166	146	153	95						
1930	93	100	96	92	91	87	124	126	153	126	145	87						
1931	73	96	81	63	77	67	111	107	130	87	124	70						
1932	62	53	64	28	66	46	97	95	103	65	107	61						
1933	57	43	76	25	72	43	107	96	105	70	109	54						
1934	61	72	79	32	82	60	116	109	117	90	123	73						
1935	68	77	90	37	86	67	124	117	127	108	125	86						
1936	76	87	105	55	92	77	134	118	130	114	124	92						
July		87	108	59	91	77	123	118	133	115	123	93						
Aug.		87	102	62	94	73	132	119	133	124	126	93						
Sept.		83	109	59	96	77	135	119	134	124	127	93						
Oct.		90	117	57	97	81	137	119	131	121	127	95						
Nov.		93	111	58	97	84	138	120	131	120	127	94						
Dec.		101	121	66	98	87	139	123	131	126	128	98						
1937																		
Jan.		93	114	63	96	87	138	125	134	131	130	101						
Feb.		94	116	62	99	83	141	126	134	127	132	96						
Mar.		95	118	56	101	91	143	128	135	128	132	97						
Apr.		93	113	53	102	94	145	128	136	130	134	97						
May		97	113	56	102	95	147	123	137	128	134	96						
June		97	114	61	101	94	146	127	137	124	134	93						
July		98	114	68	101	95	141	129	136	125	133	94						
Aug.		98	117	63	102	95	142	128	135	123	132	93						
Sept.		97	111	56	102	92	147	128	136	113	130	91						
Oct. 11/		96	103	52	101	90	148	125	135	112	128	88						
Nov. 11/		95	99	53	95	83		122	132	107	128	84						
Dec. 11/								179	131	104	123	81						

Notes same as for corresponding table in November, 1937, page.

Index numbers of wholesale prices in the currencies of nine foreign countries taking about
20 percent of United States agricultural exports, 1924 -
(1924-29 = 100)

Calendar year	Japan (Tokyo)	Germany	France	Canada	Italy	Belgium	Poland	Nether- lands	Composite Series 1/ 2 (Weighted)
1924	111.8	113.3	80.5	100.8	99.4	77.9	103.4	104.6	105.1
1925	107.2	110.6	90.6	104.0	116.1	75.8	106.5	103.9	105.0
1926	98.7	97.4	114.2	101.4	117.4	121.1	89.4	100.8	101.3
1927	95.1	99.7	105.5	99.1	94.6	115.1	100.8	93.1	97.3
1928	94.3	93.7	106.1	97.8	88.3	114.5	101.8	97.5	96.8
1929	91.9	91.2	103.1	96.9	84.2	115.6	93.1	95.1	94.5
1930	80.5	75.0	91.1	87.8	75.4	101.1	97.1	85.4	82.7
1931	70.7	63.4	82.3	73.1	65.3	85.1	76.0	72.8	71.9
1932	68.9	66.8	70.2	67.6	61.4	72.3	66.7	61.5	68.1
1933	69.0	74.4	65.5	68.1	56.0	68.1	60.1	59.9	68.3
1934	70.9	73.6	61.9	72.6	54.7	64.3	56.7	60.0	69.0
1935	71.7	76.9	55.6	73.1	60.2	73.0	54.0	58.6	70.1
1936	76.0	81.0	67.5	75.7	67.4	79.9	55.0	60.8	74.9
1937									
1938									

Bureau of Agricultural Economics.

1/ A composite series of wholesale prices in England, Japan (Tokyo), Germany, France, Canada, Italy, Poland, and Netherlands, weighted according to their imports of American farm products in the period 1934-36.

Index numbers of wholesale prices in the currencies of nine foreign countries taking about 80 percent
of United States agricultural exports, by months, 1924 -
(1924-29 = 100)

Calendar year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Av.
1924	105.6	106.7	105.0	104.0	103.3	102.0	101.7	103.6	105.3	107.6	108.0	108.4	105.1
1925	109.5	108.5	106.8	104.8	103.8	104.1	104.5	104.5	103.9	103.5	103.3	103.0	105.0
1926	101.7	100.3	98.7	98.3	99.1	100.9	103.7	103.2	103.7	103.4	102.5	99.6	101.3
1927	98.4	98.3	97.7	97.3	97.6	97.7	96.9	96.6	96.9	96.6	96.4	96.4	97.3
1928	96.7	96.3	96.8	97.9	98.4	97.7	96.9	96.3	96.0	96.2	96.4	96.4	96.8
1929	96.3	96.5	97.0	95.9	94.6	94.0	94.7	93.9	93.8	93.6	92.3	91.1	94.5
1930	89.6	88.0	86.2	85.4	84.3	82.9	83.1	81.5	80.1	78.5	77.7	76.2	82.7
1931	75.0	74.3	74.2	74.1	72.9	71.8	71.2	70.1	69.3	69.9	70.1	70.0	71.9
1932	70.2	70.1	69.6	68.5	67.6	66.0	65.9	66.7	68.2	67.7	68.4	68.5	68.1
1933	63.3	67.4	66.6	66.5	67.2	68.5	69.1	68.9	69.3	69.0	69.1	69.0	68.3
1934	69.5	69.8	69.2	68.8	68.4	68.6	68.5	69.3	69.2	69.1	68.9	68.8	69.0
1935	69.1	69.1	68.6	69.1	69.5	69.3	69.1	69.7	70.7	72.1	72.3	72.3	70.1
1936	72.4	72.5	72.5	72.7	72.7	73.2	74.2	75.4	76.1	77.5	78.4	81.0	74.9
1937	83.8	84.2	86.8	88.1	88.1	88.0	89.1	88.9	89.4	89.2	88.1		
1938													

Bureau of Agricultural Economics.

The countries included and their rounded weights based on their imports of American farm products in the period 1934-36 are as follows:

England	-	41	Italy	-	5
Japan (Tokyo)	-	18	Belgium	-	3
Germany	-	10	Poland	-	3
France	-	9	Netherlands	-	3
Canada	-	8	Total	-	100